First Interstate Leasing

First Interstate
Leasing, Inc.
245 South Los Robles Avenue
Pasadena, CA 91109
818 304-2828

No. SEP 11 1985
Date
Fee $ 20-00
ICC Washington, D.C.

14786 A
RECORDATION NO. Filed 1425

September 10, SEP11 1985 ·1 25 PM 1985

INTERSTATE COMMERCE COMMISSION

5-25AA065
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RECORDATION NO. Filed 1425

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INTERSTATE COMMERCE COMMISSION

MOTOR OPERATING UNIT

SEP 11 2 PM '85

ICC OFFICE OF THE SECRETARY

Ms. Mildred Lee
C/O Interstate Commerce Commission
12th and Constitution Avenue, N.W.
Room 2303
Washington, D.C. 20423

Re: Alaska Railroad Corporation ICC Filing

Dear Ms. Lee:

As we discussed over the telephone Monday, enclosed for filing and recordation pursuant to the provisions of 49 USC §11303 are one original and three copies of a Lease Agreement, ~~an Escrow Agreement, a Bill of Sale~~, and an Assignment Agreement pertaining to the Lease of fifteen (15) each 70 ton articulated flat cars marked as follows: ARR 19130-19144. DHC

The names and addresses of the parties to the transaction evidenced by the Lease Agreement are as follows:

Lessor:	First Interstate Leasing, Inc. 245 South Los Robles Avenue Pasadena, California 91109
Lessee:	Alaska Railroad Corporation 419 West First Avenue Anchorage, Alaska 99501
Builder:	PACCAR, Inc. 1400 North Fourth Street Renton, Washington 98055
Assignee of Lessor:	Citicorp Industrial Credit, Inc. 450 Mamaroneck Avenue Harrison, New York 10528

It is requested that the Lease Agreement be filed and recorded under the names of the parties as set forth above.

I have also enclosed a check in the amount of $10.00 for the required recordation fee. DHC

David N. Cox

Please return: (1) Your letter acknowledging the filing, (2) a receipt for the $10.00 filing fee, (3) the enclosed copy of this letter, and (4) the original and two copies of the lease documents (retaining one copy for your files), all stamped with your official recordation information. DHC

If you have any further questions, please feel free to call me at (818) 304-2830.

Sincerely,

Lynn P. Bartsch
Vice President

LPB:rv

Enclosures

cc: Fred Springer
Citicorp Industrial Credit
450 Mamaroneck Avenue
Harrison, New York 10528

14786
RECORDATION NO. Filed 1425

SEP11 1985 -1 35 PM

INTERSTATE COMMERCE COMMISSION

LEASE AGREEMENT

Between

FIRST INTERSTATE LEASING, INC.

As Lessor

and

ALASKA RAILROAD CORPORATION

As Lessee

Dated as of the 1st day of August, 1985

THIS LEASE AGREEMENT dated as of August 1, 1985 (the Lease), by and between First Interstate Leasing, Inc., a corporation duly organized and existing under the laws of the state of California as lessor (Lessor) whose address is 245 South Los Robles Avenue, Pasadena, California 91109; and Alaska Railroad Corporation as lessee (Lessee), whose address is Pouch 7-2111, Anchorage, Alaska 99510-7069;

WITNESSETH:

WHEREAS, Lessee is authorized by law to acquire such items of personal property as are needed to carry out its functions, and to acquire such personal property by entering into lease agreements; and

WHEREAS, Lessee has determined that it is necessary for it to acquire under this Lease certain items of personal property described herein as Equipment; and

WHEREAS, Lessor is willing to acquire such items of Equipment from the contractor therefor or from Lesser and to lease and sell them to Lessee pursuant to this Lease;

NOW THEREFORE, in the joint and mutual exercise of their powers, and in consideration of the mutual covenants herein contained, the parties hereto recite and agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Lease, have the meanings herein specified.

Closing Date: The date upon which Lessor deposits with the Escrow Agent for credit to the Equipment Acquisition Fund the amount specified in Section 2.3.

Code: The Internal Revenue Code of 1954, as amended, and the treasury regulations, revenue rulings and procedures issued from time to time thereunder.

Contractor: Each of the manufacturers or vendors from whom Lessee (or Lessor at Lessee's request) has ordered or will order or with whom Lessee (or Lessor at Lessee's request) has contracted or will contract for the manufacture, delivery and/or installation of the Equipment.

Date of Taxability: The date upon which the Interest component of any Lease Payment shall be includable for Federal income tax purposes in the gross income of Lessor or any assignee of Lessor as a result of an Event of Taxability.

Equipment: The personal property described in the attached Exhibit A which is being leased and purchased by Lessee pursuant to this Lease.

Equipment Acquisition Fund: The fund so designated which is to be established by the Escrow Agent under the Escrow Agreement.

Escrow Agent: The First Interstate Bank of California, in Los Angeles, California, acting under and pursuant to the Escrow Agreement.

Escrow Agreement: The Escrow Agreement of event date herewith by and among Lessor, Lessee and Escrow Agent.

Event of Taxability: The issuance of a statutory notice of deficiency by the Internal Revenue Service, or a ruling of the National Office or any District Office of the Internal Revenue Service, or a final decision of a court of competent jurisdiction, which holds in effect that, by reason of a violation of or a failure to comply with the provisions of Section 103(a) or any other applicable Section of the Code

(exempt for any such violation or failure attributable to Lessor), the Interest component of any Lease Payment is includable for Federal income tax purposes in the gross income of Lessor or any assignee of Lessor.

Independent Counsel: An attorney duly admitted to the practice of law before the highest court of the State who is not a full-time employee of Lessor or Lessee.

Interest: The portion of any Lease Payment designated as and comprising interest as shown in the attached Exhibit B.

Lease Payment: The payment due from Lessee to Lessor on each Payment Date, as shown on Exhibit B.

Net Proceeds: Any insurance proceeds or condemnation award, paid with respect to the Equipment, remaining after payment therefrom of all expenses incurred in the collection thereof.

Payment Date: The date upon which any Lease Payment is due and payable as provided in Exhibit B.

Permitted Encumbrances: As of any particular time: (i) liens for taxes and assessments not then delinquent, or which Lessee may, pursuant to provisions of Section 7.3 hereof, permit to remain unpaid, (ii) this Lease and amendments hereto, and (iii) Lessor's interest in the Equipment.

Prepayment Price: With respect to the Equipment, as of any Payment Date, the amount so designated and set forth opposite such date in the attached Exhibit C.

Principal: The portion of any Lease Payment designated as principal in the attached Exhibit B.

Reserve Fund: The fund so designated which is to be established by the Escrow Agent under the Escrow Agreement.

Specifications: The bid specifications and/or purchase order pursuant to which Lessee has ordered the Equipment from a Contractor.

State: The State of Alaska.

State and Federal Law or Laws: The Constitution and any law of the State and any charter, ordinance, rule or regulation of any agency or political subdivision of the State; and any law of the United States, and any rule or regulation of any federal department, commission or agency; or the Interchange Rules or Supplements thereto of the Mechanical

Division, Association of American Railroads, as the same may be in effect from time to time.

Tangible Net Worth: The total assets of Lessee less the total liabilities of Lessee, as such terms are defined by generally accepted accounting principles.

Term of this Lease or Lease Term: The period commencing on the execution of this Lease and ending on the date the last Lease Payment is due and payable, as shown in Exhibit B, unless earlier terminated pursuant to the terms of this Lease.

Section 1.2. Exhibits.

The following Exhibits are attached to and by reference made a part of this Lease:

Exhibit A: A description of the Equipment being leased and purchased by Lessee pursuant to this Lease, including the serial number thereof which shall be inserted when available.

Exhibit B: A schedule to be completed by Lessor as provided in Section 4.1, indicating the date upon which the Term of this Lease shall end, the date and amount of each Lease Payment coming due during the Lease Term and the amount of each Lease Payment comprising Principal and Interest.

Exhibit C: A schedule showing as of each Payment Date the price at which Lessee may prepay its obligation to make all future Lease Payments with respect to the Equipment in accordance with Article X.

Exhibit D: A form of Certificate of Acceptance of Lessee indicating that the Equipment has been delivered and installed in accordance with the Specifications, and has been accepted by Lessee.

Exhibit E: A form of opinion of counsel to Lessee as to the organization, nature and powers of Lessee; the validity, execution and delivery of this Lease and various related documents; the absence of litigation; and related matters.

Exhibit F: A form of Certificate of Incumbency of Lessee relating to the offices or positions, signatures and qualifications of the persons executing on behalf of Lessee this Lease and other documents relating thereto.

Exhibit G: A form of Officer's Certificate of Lessee indicating that certain requirements have been met by Lessee.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of Lessee. Lessee represents, covenants and warrants as follows:

(a) Lessee is a public corporation and political subdivision of the State, duly organized and existing under the Constitution and laws of the State, and is authorized to issue obligations the interest on which is exempt from taxation under Section 103 of the Code, pursuant to 45 U.S.C. 1207(a)(6).

(b) Lessee is authorized under the Constitution and laws of the State to enter into this Lease and the transactions contemplated hereby, and to perform all of its obligations hereunder.

(c) The officer of Lessee executing this Lease has been duly authorized to execute and deliver this Lease under the terms and provisions of a resolution of Lessee's governing body, or by other appropriate official action.

(d) In authorizing and executing this Lease, Lessee has complied with all State and Federal Laws applicable to this Lease and the acquisition of the Equipment by Lessee.

(e) Lessee will not pledge, mortgage or assign this Lease, or its duties and obligations hereunder to any other person, firm or corporation except as provided under the terms of this Lease.

(f) The Equipment will be used during the Term of this Lease only to carry out the purposes of Lessee.

(g) Lessee will use the Equipment during the Lease Term only to perform the essential functions of railroad transportation.

(h) Upon delivery and acceptance of the Equipment, Lessee will provide to Lessor a completed and executed copy of the Certificate of Acceptance attached hereto as Exhibit D.

(i) Upon the execution of this Lease, Lessee will provide to Lessor an opinion of its legal counsel in the form attached hereto as Exhibit E.

(j) Upon execution of this Lease, Lessee will furnish to Lessor a Certificate of Incumbency in the form attached hereto as Exhibit F, an Officer's Certificate in the form attached hereto as Exhibit G and an Arbitrage Certificate in form satisfactory to Lessor.

(k) The balance sheet of Lessee and its subsidiaries as of the most recently ended fiscal quarter/year and the related statements of income and the retained earnings of Lessee and its subsidiaries for the fiscal year then ended, copies of which have been furnished Lessor, fairly present the financial condition of Lessee and its subsidiaries as at such date and the results of the operations of the Lessee and its subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principals consistently applied, and since the end of the most recent quarter there has been no material adverse change in such condition or operation.

Section 2.2. Representations, Covenants and Warranties of Lessor. Lessor represents, covenants and warrants as follows:

(a) Lessor is a corporation duly organized, existing and in good standing under and by virtue of the laws of the state of California; has power to enter into this Lease; is possessed of full power to own and hold real and personal property, and to lease and sell the same; and has duly authorized the execution and delivery of this Lease.

(b) Neither the execution and delivery of this Lease, nor the fulfillment of or compliance with the terms and conditions thereof, nor the consummation of the transactions contemplated thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which Lessor is now a party or by which Lessor is bound, constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of Lessor, or upon the Equipment except Permitted Encumbrances.

Section 2.3. Escrow Agreement. Immediately following the execution and delivery of this Lease by Lessor and Lessee, Lessor and Lessee agree to execute and deliver and to cause Escrow Agent to execute and deliver the Escrow Agreement. This Lease shall take effect only upon execution and delivery of the Escrow Agreement by the parties thereto. Within ten (10) business days after execution of this Lease and the Escrow Agreement and the delivery of the legal opinion by Lessee pursuant to Section 2.1 hereof, Lessor shall deposit or cause to be deposited with Escrow Agent the sum of $1,467,130.00, of which $1,247,130.00 shall be credited to the Equipment Acquisition Fund and of which $220,000.00 shall be credited to the Reserve Fund, which moneys shall be held, invested and disbursed in accordance with the Escrow Agreement. The amount so deposited shall comprise a loan from Lessor to Lessee, which shall be repaid to Lessor with interest at the rate of Eight &425/100 percent (8.425%) per annum, at the times and in the amounts as set forth on Lease Exhibit B.

ARTICLE III

LEASE OF EQUIPMENT

Section 3.1. Lease. Lessor hereby leases the Equipment to Lessee, and Lessee hereby leases the Equipment from Lessor, upon the terms and conditions set forth in this Lease.

Section 3.2. Possession and Enjoyment. Lessor hereby covenants to provide Lessee during the Term of this Lease with the quiet use and enjoyment of the Equipment, and Lessee shall during the Term of this Lease peaceably and quietly have and hold and enjoy the Equipment, without suit, trouble or hindrance from Lessor and any successor or assignee of Lessor, except as expressly set forth in this Lease. Lessor will, at the request of Lessee and at Lessee's cost, join in any legal action in which Lessee asserts its right to such possession and enjoyment to the extent Lessor lawfully may do so.

Section 3.3. Lessor Access to Equipment. The Lessee agrees that Lessor shall have the right at all reasonable times and after reasonable notice to examine and inspect the Equipment. Lessee further agrees that Lessor shall have such rights of access to the Equipment as may be reasonably necessary to cause the proper maintenance of the Equipment in the event of failure by Lessee to perform its obligations hereunder.

ARTICLE IV

TERM OF LEASE

Section 4.1. Lease Term. This Lease shall be in effect for a Term commencing upon the execution hereof and ending on the last Payment Date upon which a Lease Payment is due as shown on Exhibit B.

Section 4.2. Termination of Lease Term. The Term of this Lease will terminate upon the occurrence of the first of the following events:

(a) Lessee's prepayment of the Lease Payments with respect to the Equipment, pursuant to Article X;

(b) a default by Lessee and Lessor's election to terminate this Lease pursuant to Article XII; or

(c) the payment by Lessee of all Lease Payments required to be paid by Lessee hereunder.

ARTICLE V

LEASE PAYMENTS

Section 5.1. Lease Payments. Lessee agrees to pay Lease Payments during the Term of this Lease, in the amounts and on the dates specified in Exhibit B. All Lease Payments shall be paid to Lessor at its offices at the address specified in the first paragraph of this Lease, or to such other person or entity to which Lessor has assigned such Lease Payments as specified in Article XI, at such place as such assignee may from time to time designate by written notice to Lessee. Lessee shall pay the Lease Payments exclusively from moneys legally available therefor, in lawful money of the United States of America to Lessor or, in the event of assignment of the right to receive Lease Payments by Lessor, to its assignee.

Section 5.2. Source of Payment. All Lease Payments required to be paid by Lessee pursuant to this Lease shall be paid from the revenues of Lessee.

Section 5.3. Interest Component. A portion of each Lease Payment is paid as and represents the payment of Interest. Exhibit B sets forth the Interest component of each Lease Payment.

Section 5.4. Lease Payments to be Unconditional. The obligation of Lessee to make Lease Payments or any other payments required hereunder shall be absolute and unconditional in all events except as expressly provided under this Lease. Notwithstanding any dispute between Lessee and Lessor or any other person, Lessee shall make all Lease Payments and other payments required hereunder when due and shall not withhold any Lease Payment or other payment pending final resolution of such dispute nor shall Lessee assert any right of set-off or counterclaim against its obligation to make such Lease Payments or other payments required under this Lease. Lessee's obligation to make Lease Payments or other payments shall not be abated through accident or unforeseen circumstances. However, nothing herein shall be construed to release Lessor from the performance of its obligations hereunder; and if Lessor should fail to perform any such obligation, Lessee may institute such legal action against Lessor as Lessee may deem necessary to compel the performance of such obligation or to recover damages therefor.

Section 5.5. Event of Taxability; Adjustment of Lease Payments. If for any reason Lessee becomes an entity whose obligations do not bear interest exempt from federal income taxation under Section 103(a) of the Code, or this Lease

becomes an obligation which bears interest not exempt from taxation under Section 103(a) of the Code, and as a result thereof an Event of Taxability occurs, the Lease Payments set forth in Exhibit B shall be recomputed to include interest at the rate of 15.6% per annum from the Date of Taxability until the Event of Taxability and thereafter at the rate of 13.35% as hereinafter provided, and Lessor and Lessee shall prepare and substitute in this Lease a new Exhibit B reflecting such recomputed Lease Payments. Such recomputation shall be made as follows: The Lease Payments coming due on or after the Date of Taxability until the Event of Taxability and then from the Event of Taxibility on shall be recomputed on an amortization basis, using as the Principal amount the Prepayment Price set forth opposite the Payment Date on or immediately prior to such Date of Taxability or such Event of Taxability, as the case may be, and the applicable interest rate, it being agreed that the number and Payment Dates of such Lease Payments shall not change. The Prepayment Price shown on Exhibit C shall also be changed and substituted, based upon such recomputations. Upon the occurrence of an Event of Taxability Lessee shall alternatively have the option within ten (10) days thereafter to purchase the Equipment for the applicable Prepayment Price as listed on Exhibit C or pro rata portion thereof computed as of the date of exercise. In such event Lessee shall also be obligated to pay Lease Payments to the date of exercise of such option as listed on Exhibit B or a pro rata portion thereof computed as of the date of exercise. Upon exercise of such option, Lessor shall comply with the provisions of Section 10.3 hereof.

ARTICLE VI

INSURANCE AND INDEMNIFICATION

Section 6.1. Liability Insurance. Upon receipt of possession of the Equipment, Lessee shall take such measures as may be necessary to ensure that any liability for injuries to or death of any person or damage to or loss of property arising out of or in any way relating to the condition or the operation of the Equipment or any part thereof, is covered by a blanket or other general liability insurance policy maintained by Lessee, in such form and amounts as are reasonably acceptable to Lessor. The Net Proceeds of all such insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which any Net Proceeds may be paid.

Section 6.2. Property Insurance. Upon receipt of possession of the Equipment, Lessee shall have and assume the risk of loss with respect thereto. Unless Lessee elects to provide self-insurance as evidenced by a certificate provided to Lessor, Lessee shall procure and maintain continuously in effect during the Term of this Lease, all-risk insurance, (including flood and earthquake coverage), in such amount as will be at least sufficient so that a claim may be made for the full replacement cost of any part thereof damaged or destroyed and to pay the applicable Prepayment Price of the Equipment. Such insurance may be provided by a rider to an existing policy or under a separate policy. Such insurance may be written with customary deductible amounts. The Net Proceeds of insurance required by this Section shall be paid to the Escrow Agent and applied to the prompt repair, restoration, modification or improvement of the Equipment.

Section 6.3. Worker's Compensation Insurance. If required by State law, Lessee shall carry Worker's Compensation Insurance covering all employees on, in, near or about the Equipment, and upon request, shall furnish to Lessor certificates evidencing such coverage throughout the Term of this Lease.

Section 6.4. Requirements For All Insurance. All insurance policies (or riders) required by this Article shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State; and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties at least thirty (30) days before the cancellation or revision becomes effective. All insurance policies or riders required by Sections 6.1 and 6.2 shall name

Lessee and Lessor as insured parties, and any insurance policy or rider required by Section 6.3 shall name Lessee as insured party. Lessee shall deposit with Lessor policies (and riders) evidencing any such insurance procured by it, or a certificate or certificates of the respective insurers stating that such insurance is in full force and effect. Before the expiration of any such policy (or rider), Lessee shall furnish to Lessor evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article, unless such insurance is no longer obtainable in which event Lessee shall notify Lessor of this fact.

Section 6.5. Lessee's Negligence. Lessee assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Equipment and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of Lessee or of third parties, and whether such property damage be to Lessee's property or the property of others, which is proximately caused by the negligent conduct of Lessee, its officers, employees and agents. Lessee hereby assumes responsibility for and agrees to reimburse Lessor for all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorney's fees) of whatsoever kind and nature, imposed on, incurred by or asserted against Lessor that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part upon the negligent conduct of Lessee, its officers, employees and agents, to the maximum extent permitted by law.

Section 6.6. Damage to or Destruction of Equipment. If after delivery of the Equipment to Lessee and acceptance thereof all or any part of the Equipment is lost, stolen, destroyed or damaged beyond repair, Lessee shall as soon as practicable after such event either: (i) replace the same at Lessee's sole cost and expense with equipment of equal or greater value to the portion of the Equipment so damaged immediately prior to the time of the loss occurrence, such replacement equipment to be subject to Lessor's reasonable approval, whereupon such replacement shall be substituted in this Lease by appropriate endorsement; or (ii) pay the portion of the then current Prepayment Price which is applicable to such Equipment as set forth in Exhibit C. Lessee shall notify Lessor of which course of action it will take within fifteen (15) days after the loss occurrence. If Lessee fails or refuses to notify Lessor within the required period, Lessor may, at its option, declare the portion of the then current Prepayment Price which is applicable to the damaged Equipment as set forth in Exhibit C immediately due and payable, and Lessee shall be obligated to pay the same. The Net Proceeds of

all insurance payable with respect to the damaged Equipment shall be available to Lessee and shall be used to discharge Lessee's obligations under this Section. On payment of the Prepayment Price with respect to such Equipment, this Lease shall terminate with respect to such Equipment and Lessee thereupon shall become entitled to the Equipment AS IS, WITHOUT WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY LESSEE, except that the Equipment shall not be subject to any lien or encumbrance created by or arising through Lessor. The remaining Lease Payments due pursuant to this Lease shall then be adjusted to exclude amounts applicable to the amortization of the cost of the damaged Equipment.

ARTICLE VII

OTHER OBLIGATIONS OF LESSEE

Section 7.1. Use; Permits. Lessee shall exercise due care in the installation, use, operation and maintenance of the Equipment, and shall not install, use, operate or maintain the Equipment improperly, carelessly, in violation of any State and Federal Law or for a purpose or in a manner contrary to that contemplated by this Lease. Lessee shall obtain all permits and licenses necessary for the installation, operation, possession and use of the Equipment. Lessee shall comply with all State and Federal Laws applicable to the installation, operation, possession and use of the Equipment, and if compliance with any such State and Federal Law requires changes or additions to be made to the Equipment, such changes or additions shall be made by Lessee at its expense.

Section 7.2. Maintenance of Equipment by Lessee. Lessee shall, at its own expense, maintain, preserve and keep the Equipment in good repair, working order and condition, and shall from time to time make all repairs and replacements necessary to keep the Equipment in such condition. Lessor shall have no responsibility for any of these repairs or replacements.

Section 7.3. Taxes, Other Governmental Charges and Utility Charges. Except as expressly limited by this Section, Lessee shall pay all taxes and other charges of any kind whatsoever which are at any time lawfully assessed or levied against or with respect to the Equipment, the Lease Payments or any part thereof, or which become due during the Term of this Lease, whether assessed against Lessee or Lessor. Lessee shall also pay when due all gas, water, steam, electricity, heat, power, telephone, and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Equipment, and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Equipment; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Lessee shall be obligated to pay only such installments as are required to be paid during the Term of this Lease as and when the same become due. Lessee shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate, or other similar tax payable by Lessor, its successors or assigns, unless such tax is made in lieu of or as a substitute for any tax, assessment or charge which is the obligation of Lessee under this Section.

Lessee may, at its own expense and in its own name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments, utility or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless Lessor shall notify Lessee that, in the opinion of Independent Counsel, by nonpayment of any such items the interest of Lessor in the Equipment will be materially endangered or the Equipment or any part thereof will be subject to loss or forfeiture, in which event Lessee shall promptly pay such taxes, assessments, utility or other charges or provide Lessor with full security against any loss which may result from nonpayment, in form satisfactory to Lessor.

Section 7.4. Advances. If Lessee shall fail to perform any of its obligations under this Article, Lessor may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and Lessee shall be obligated to repay all such advances on demand, with interest at the rate of 18% per annum or the maximum rate permitted by law, whichever is less, from the date of the advance to the date of repayment.

ARTICLE VIII

TITLE

Section 8.1. Title. During the Term of this Lease, and so long as Lessee is not in default under Article XII, legal title to the Equipment and any and all repairs, replacements, substitutions and modifications to it shall be in Lessor. Upon occurrence of an event of default as defined in Section 12.1 and Lessor's termination of this Lease as provided in Article XII, Lessee shall have no further interest therein, and upon request by Lessor shall deliver possession of the Equipment to Lessor in accordance with Section 12.3. Upon termination of this Lease for any of the reasons specified in Section 4.2, Clauses (a) and (c), full and unencumbered legal title to the Equipment shall pass to Lessee, and Lessor shall have no further interest herein. In such event Lessor shall execute and deliver to Lessee such documents as Lessee may request to evidence the passage of legal title to the Equipment to Lessee and the termination of Lessor's interest therein.

Section 8.2. Security Interest. Lessor shall have and retain a security interest under the Uniform Commercial Code in the Equipment, the proceeds thereof and all repairs, replacements, substitutions and modifications thereto or thereof in order to secure Lessee's payment of all Lease Payments due during the Term of this Lease and the performance of all other obligations herein to be performed by Lessee. Lessee will join with Lessor in executing such financing statements or other documents and will perform such acts as Lessor may request to establish and maintain a valid security interest in the Equipment.

Section 8.3. Liens. Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Equipment, other than the respective rights of Lessor and Lessee as herein provided and Permitted Encumbrances. Except as expressly provided in Section 7.3 and this Article, Lessee shall promptly, at its own expense, take such action as may be necessary duly to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time. Lessee shall reimburse Lessor for any reasonable expense incurred by Lessor in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 8.4. Installation of Lessee's Equipment. Lessee may at any time and from time to time, in its sole discretion and at its own expense, install other items of

equipment in or upon the Equipment, which items shall be identified by tags or other symbols affixed thereto as property of Lessee. All such items so identified shall remain the sole property of Lessee, in which Lessor shall have no interest, and may be modified or removed by Lessee at any time provided that Lessee shall repair and restore any and all damage to the Equipment resulting from the installation, modification or removal of any such items. Nothing in this Lease shall prevent Lessee from purchasing items to be installed pursuant to this Section under a conditional sale or lease-purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Equipment.

Section 8.5. Modification of Equipment. Lessee shall, at its own expense, have the right to make repairs to the Equipment, and to make repairs, replacements, substitutions and modifications to all or any of the parts thereof. All such work and any part or component used or installed to make a repair or as a replacement, substitution or modification, shall thereafter comprise part of the Equipment and be subject to the provisions of this Lease. Such work shall not in any way damage the Equipment or cause it to be used for purposes other than those authorized under the provisions of State and Federal Law or those contemplated by this Lease; and the Equipment, upon completion of any such work shall be of a value which is not less than the value of the Equipment immediately prior to the commencement of such work. Any property for which a replacement or substitution is made pursuant to this Section may be disposed of by Lessee in such manner and on such terms as are determined by Lessee. Lessee will not permit any mechanic's or other lien to be established or remain against the Equipment for labor or materials furnished in connection with any repair, replacement, substitution or modification made by Lessee pursuant to this Section; provided that if any such lien is established and Lessee shall first notify Lessor of Lessee's intention to do so, Lessee may in good faith contest any lien filed or established against the Equipment, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless Lessor shall notify Lessee that, in the opinion of Independent Counsel, by nonpayment of any such item the interest of Lessor in the Equipment will be materially endangered or the Equipment or any part thereof will be subject to loss or forfeiture, in which event Lessee shall promptly pay and cause to be satisfied and discharged all such unpaid items or provide Lessor with full security against any such loss or forfeiture, in form satisfactory to Lessor. Lessor will cooperate fully with Lessee in any such contest, upon the request and at the expense of Lessee.

Section 8.6. Personal Property. The Equipment is and shall at all times be and remain personal property notwithstanding that the Equipment or any part thereof may be or hereafter become in any manner affixed or attached to or embedded in or permanently rested upon real property or any building thereon or attached in any manner to what is permanent by means of cement, plaster, nails, bolts, screws or otherwise.

Section 8.7. Marking of Equipment. Lessee at its expense will cause the Equipment to be kept numbered with the identifying number of Lessor and will keep and maintain, plainly, distinctly, permanently, and conspicuously marked on each side of each unit of Equipment, in letters not less than one and one-half inches in height, the words, "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED UNDER THE INTERSTATE COMMERCE ACT," or other appropriate words designated by Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's interest in the Equipment and its rights under this Lease. The flat cars constituting the Equipment shall be consecutively numbered beginning with "19130" and ending with "19144." Lessee will make or cause to be made such numbers and markings thereon and will replace or will cause to be replaced promptly any such numbers and markings which may be removed, defaced, or destroyed. Lessee will not permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement has previously been delivered to Lessor and filed, recorded, and deposited by Lessee in all public offices where this Lease is or is required to be filed, recorded, or deposited. Except as provided in this Section 8.7, Lessee will not allow the name of any person, association, or corporation to be placed on any Equipment as a designation that might be interpreted as a claim of ownership.

ARTICLE IX

WARRANTIES

Section 9.1. Selection of Equipment. The Equipment and the Contractor have been selected by Lessee, and Lessor shall have no responsibility in connection with the selection of the Equipment, its suitability for the use intended by Lessee, the acceptance by the Contractor or its sales representative of the order submitted, or any delay or failure by the Contractor or its sales representative to manufacture, deliver or install the Equipment for use by Lessee.

Section 9.2. Installation and Maintenance of Equipment. Lessor shall have no obligation to install, erect, test, inspect, service or maintain the Equipment under any circumstances, but such actions shall be the obligation of Lessee or the Contractor.

Section 9.3. Contractor's Warranties. Lessor hereby assigns to Lessee for and during the Term of this Lease, all of its interest in all Contractor's warranties and guarantees, express or implied, issued on or applicable to the Equipment, and Lessor hereby authorizes Lessee to obtain the customary services furnished in connection with such warranties and guarantees at Lessee's expense.

Section 9.4. Patent Infringement. Lessor hereby assigns to Lessee for and during the Term of this Lease all of its interest in patent indemnity protection provided by any Contractor with respect to the Equipment. Such assignment of patent indemnity protection by Lessor to Lessee shall constitute the entire liability of Lessor for any patent infringement by Equipment furnished pursuant to this Lease.

Section 9.5. Disclaimer of Warranties. THE EQUIPMENT IS DELIVERED AS IS, AND LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY LESSEE OF THE EQUIPMENT, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE EQUIPMENT.

ARTICLE X

PREPAYMENT

Section 10.1. When Available. Lessee shall have the option to prepay its obligation to pay all future Lease Payments with respect to the Equipment on certain Payment Dates for the then applicable Prepayment Price set forth in Exhibit C, but only if Lessee is not in default under this Lease, and only in the manner provided in this Article.

Section 10.2. Exercise of Option. Lessee shall give notice to Lessor of its intention to exercise its option not less than thirty (30) days prior to the Payment Date on which the option is to be exercised and shall deposit with Lessor on the date of exercise an amount equal to all Lease Payments and any other amounts then due or past due and the applicable Prepayment Price set forth in Exhibit C. The closing shall be on the Payment Date on which the option is to be exercised at the office of Lessor.

Section 10.3. Release of Lessor's Interest. Upon exercise of the Prepayment Option by Lessee, Lessor shall convey or release to Lessee, all of its right, title and/or interest in and to the Equipment by delivering to Lessee such documents as Lessee deems necessary for this purpose.

ARTICLE XI

ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING

Section 11.1. Assignment by Lessor. Lessor shall not assign its obligations under this Lease, and no purported assignment thereof shall be effective. All of Lessor's right, title and/or interest in and to this Lease, the Lease Payments and other amounts due hereunder and the Equipment may be assigned and reassigned in whole or in part to one or more assignees or subassignees by Lessor at any time, without the consent of Lessee. No such assignment shall be effective as against Lessee unless and until the assignor shall have filed with Lessee a copy or written notice thereof identifying the assignee. Lessee shall pay all Lease Payments due hereunder to or at the direction of Lessor or the assignee named in the most recent assignment or notice of assignment filed with Lessee.

During the Lease Term Lessee shall keep a complete and accurate record of all such assignments in form necessary to comply with Section 103(j) of the Internal Revenue Code of 1954, as amended, and the Treasury Regulations, existing or proposed, from time to time promulgated thereunder.

Section 11.2. Assignment and Subleasing by Lessee. Neither this Lease nor Lessee's interest in the Equipment may be assigned by Lessee without the written consent of Lessor. However, the Equipment may be subleased by Lessee, in whole or in part, without the consent of Lessor, subject, however, to each of the following conditions:

(i) This Lease and the obligation of Lessee to make Lease Payments hereunder, shall remain obligations of Lessee.

(ii) The sublessee shall assume the obligations of Lessee hereunder to the extent of the interest subleased.

(iii) Lessee shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to Lessor a true and complete copy of such sublease.

(iv) No sublease by Lessee shall cause the Equipment to be used for a purpose other than a function authorized under the provisions of the Constitution and laws of the State.

(v) No sublease shall cause the Interest component of the Lease Payments due with respect to the Equipment to become subject to federal income taxes.

Section 11.3. Restriction on Mortgage or Sale of Equipment by Lessee. Except as provided in Section 11.2, Lessee will not mortgage, sell, assign, transfer or convey the Equipment or any portion thereof during the Term of this Lease, without the written consent of Lessor.

Section 11.4. Restriction on Movement. Upon acceptance of the Equipment by execution of a Certificate of Acceptance in the form attached hereto as Exhibit D, Lessee shall not remove or permit the removal of the Equipment (i) from Lessee's railroad tracks that run from Whittier, Alaska and Seward, Alaska, to Fairbanks, Alaska, or other property owned by Lessee or (ii) from the State, except under standard railroad interchange agreements which removal from the State shall not exceed thirty (30) days, without Lessor's prior written consent, which consent shall not be unreasonably withheld.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES

Section 12.1. Events of Default Defined. The following shall be "events of default" under this Lease and the terms "events of default" and "default" shall mean, whenever they are used in this Lease, with respect to the Equipment, any one or more of the following events:

(i) Failure by Lessee to pay any Lease Payment or other payment required to be paid under this Lease at the time specified herein and the continuation of said failure for a period of five (5) days after notice by certified mail given by Lessor that the payment referred to in such notice has not been received.

(ii) Failure by Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in Clause (i) of this Section, for a period of fifteen (15) days after written notice specifying such failure and requesting that it be remedied has been given to Lessee by Lessor, unless Lessor shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Lessor will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Lessee within the applicable period and diligently pursued until the default is corrected.

(iii) The filing by Lessee of a voluntary petition in bankruptcy, or failure by Lessee promptly to lift any execution, garnishment or attachment of such consequence as would impair the ability of Lessee to carry on its governmental or proprietary function or adjudication of Lessee as a bankrupt, or assignment by Lessee for the benefit of creditors, or the entry by Lessee into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to Lessee in any proceedings instituted under the provisions of the Federal Bankruptcy Statute, as amended, or under any similar acts which may hereafter be enacted.

(iv) Failure by Lessee to maintain a minimum Tangible Net Worth of $30,000,000 during each of the first four years of the Lease Term and $25,000,000 during each remaining year of the Lease Term.

The provisions of this Section 12.1 and Section 12.2 are subject to the following limitation: if by reason of force majeure Lessee is unable in whole or in part to carry out its obligations under this Lease with respect to the Equipment, other than its obligation to pay Lease Payments with respect thereto which shall be paid when due notwithstanding the provisions of this paragraph, Lessee shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other labor disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or the State or their respective departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of Lessee and not resulting from its negligence. Lessee agrees, however, to remedy with all reasonable dispatch the cause or causes preventing Lessee from carrying out its obligations under this Lease; provided that the settlement of strikes, lockouts and other labor disturbances shall be entirely within the discretion of Lessee and Lessee shall not be required to make settlement of strikes, lockouts and other labor disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of Lessee unfavorable to Lessee.

Section 12.2. Remedies on Default. Whenever any event of default referred to in Section 12.1 hereof shall have happened and be continuing with respect to the Equipment, Lessor shall have the right, at its option and without any further demand or notice, to take one or any combination of the following remedial steps:

(i) Lessor may declare the then applicable Prepayment Price set forth on Exhibit C to be due and payable by Lessee, whereupon such Prepayment Price shall be immediately due and payable.

(ii) Lessor, with or without terminating this Lease, may repossess the Equipment by giving Lessee written notice to deliver the Equipment to Lessor, whereupon Lessee shall do so in the manner provided in Section 12.3. In the event Lessee fails to do so within fifteen (15) days after receipt of such notice, Lessor may enter upon Lessee's premises where the Equipment is kept and take possession of the Equipment, and charge Lessee for reasonable costs incurred in repossessing the Equipment, including

reasonable attorneys' fees. Lessee hereby expressly waives any damages occasioned by the repossession. If the Equipment or any portion of it has been destroyed or damaged beyond repair, Lessee shall pay the then applicable Prepayment Price for the Equipment as set forth in Exhibit C (less credit for Net Proceeds) to Lessor. Lessee shall continue to be responsible for the payment of the Lease Payments. When the default is cured, if Lessor has not sold the Equipment pursuant to Clause (iii) or (iv), Lessor shall return the Equipment to Lessee at Lessee's expense.

(iii) If the Lessor terminates this Lease and takes possession of the Equipment, Lessor shall thereafter use its best efforts to sell the Equipment or any portion thereof in a commercially reasonable manner at public or private sale in accordance with applicable State laws, and shall apply the proceeds of such sale to pay the following items in the following order: (a) costs incurred in repossessing the Equipment from Lessee; (b) reasonable expenses of sale; (c) any Lease Payments or other amounts due hereunder then outstanding and unpaid as of the date of application of the proceeds of the sale; and (d) the applicable Prepayment Price. Lessee shall continue to be responsible for the payment of any Lease Payments or other amounts due hereunder then outstanding and unpaid and the applicable Prepayment Price except to the extent Lessor obtains moneys for the payment thereof as provided in this Clause. Lessor shall pay the Lessee any sale proceeds not needed for the purposes specified above.

(iv) Lessor may take any other remedy available at law or in equity to require Lessee to perform its obligation hereunder.

Section 12.3. Return of Equipment. Upon the termination of this Lease prior to the payment of all Lease Payments in accordance with Exhibit B, Lessee shall return the Equipment to Lessor in the condition, repair, appearance and working order required in Section 7.2, in the following manner as may be specified by Lessor, by delivering the Equipment at Lessee's cost and expense to such place as Lessor shall specify not to exceed 500 miles from Seattle, Washington. If Lessee refuses to return the Equipment in the manner designated, Lessor may repossess the Equipment and charge to Lessee reasonable costs of such repossession or pursue any remedy described in Section 12.2.

Section 12.4. No Remedy Exclusive. No remedy conferred upon or reserved to Lessor by this Article is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right and power may be exercised from time to time and as often as may be deemed expedient by Lessor or its assignee.

Section 12.5. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease should default under any of the provisions hereof and the nondefaulting party should employ attorneys and/or incur other expenses for the collection of moneys or for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fee of such attorneys and/or such other reasonable expenses so incurred by the nondefaulting party.

Section 12.6. Late Charge. Whenever any event of default referred to in Section 12.1, Clause (i) hereof shall have happened and be continuing with respect to the Equipment, Lessor shall have the right, at its option and without any further demand or notice, except as set forth in this Section 12.6 to require a late payment charge for each thirty (30) day period or part thereof during which such event of default occurs, equal to four percent (4%) of the delinquent amount and Lessee shall be obligated to pay the same immediately upon receipt of Lessor's written invoice therefor; provided, however, that this Section 12.6 shall not be applicable if or to the extent that the application thereof would affect the validity of this Lease.

ARTICLE XIII

ADMINISTRATIVE PROVISIONS

Section 13.1. Notices. All notices, certificates, legal opinions or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or deposited in the United States mail in registered form with postage fully prepaid to the addresses specified on the first page hereof; provided that Lessor and Lessee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates, legal opinions or other communications will be sent.

Section 13.2. Financial Information and Reporting. During the Term of this Lease, Lessee will provide Lessor with current financial statements within forty-five (45) days after the close of each fiscal quarter and audited financial statements within ninety (90) days after the close of each fiscal year and such other financial information relating to the ability of Lessee to continue to pay the Lease Payments required under this Lease as may be reasonably requested by Lessor or its assignee. Lessee will furnish Lessor semiannually with an accurate report (a) setting forth the amount, description and number of all units of the Equipment that have suffered damage during the preceding semiannual period or are then undergoing repairs, and such other information regarding the condition and state of repair of the Equipment as Lessor may reasonably request, (b) stating that, in the case of all units of Equipment repainted or repaired during the period covered by such report, the numbers and the markings required by this Lease have been preserved or replaced, (c) stating that Lessee is in compliance with the requirements of this Lease as to maintenance and insurance and describing in reasonable detail any insurance then being maintained in respect of the Equipment, and (d) stating that, based on advice of counsel, all filings, registrations, recordings and deposits and all refilings, reregistrations, rerecordings and redeposits necessary for the proper protection of Lessor's rights in the Equipment have been duly made.

Section 13.3. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns.

Section 13.4. Severability. In the event any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13.5. Amendments, Changes and Modifications. This Lease may be amended or any of its terms modified only by written document duly authorized, executed and delivered by Lessor and Lessee.

Section 13.6. Captions. The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles, Sections or Clauses of this Lease.

Section 13.7. Further Assurances and Corrective Instruments. Lessor and Lessee agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Equipment hereby leased or intended so to be and for carrying out the expressed intention of this Lease.

Section 13.8. Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13.9. Applicable Law. This Lease shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, Lessor has caused this Lease to be executed in its corporate name by its duly authorized officer; and Lessee has caused this Lease to be executed in its name by its duly authorized officer, as of the date first above written.

FIRST INTERSTATE LEASING, INC., Lessor

By _____
Its Vice President

ALASKA RAILROAD CORPORATION, Lessee

By _____
Its President & Chief Executive Officer

EXHIBIT A

EQUIPMENT

The Equipment which is the subject of the attached Equipment Lease-Purchase Agreement is as follows:

QUANTITY	DESCRIPTION	SERIAL NUMBER
15	70 Ton articulated intermodal flat cars complete with built-up welded center sills, 15" end-of-car hydraulic cushion units, two ABDW brake systems, one wear heat treated whells, and stucki HS-10 hydraulic snubbers.	19130 through 19144

FIRST INTERSTATE LEASING, INC., Lessor

By _____

Its VICE PRESIDENT

ALASKA RAILROAD CORPORATION, Lessee

By _____

Its Pres. & Chief Ex. Of.

EXHIBIT B

SCHEDULE OF LEASE PAYMENTS

Lease Payment Schedule

Due Date	Payment Number	Total Payment	Interest Component	Principal Component
09/11/85	1	57,289.17	0.00	57,289.17
12/11/85	2	57,289.17	29,694.77	27,594.40
03/11/86	3	57,289.17	29,113.56	28,175.61
06/11/86	4	57,289.17	28,520.12	28,769.06
09/11/86	5	57,289.17	27,914.17	29,375.01
12/11/86	6	57,289.17	27,295.46	29,993.72
03/11/87	7	57,289.17	26,663.71	30,625.46
06/11/87	8	57,289.17	26,018.66	31,270.51
09/11/87	9	57,289.17	25,360.03	31,929.15
12/11/87	10	57,289.17	24,687.52	32,601.65
03/11/88	11	57,289.17	24,000.85	33,288.33
06/11/88	12	57,289.17	23,299.71	33,989.46
09/11/88	13	57,289.17	22,583.81	34,705.36
12/11/88	14	57,289.17	21,852.83	35,436.35
03/11/89	15	57,289.17	21,106.45	36,182.72
06/11/89	16	57,289.17	20,344.35	36,944.82
09/11/89	17	57,289.17	19,566.20	37,722.97
12/11/89	18	57,289.17	18,771.66	38,517.51
03/11/90	19	57,289.17	17,960.39	39,328.79
06/11/90	20	57,289.17	17,132.02	40,157.15
09/11/90	21	57,289.17	16,286.21	41,002.96
12/11/90	22	57,289.17	15,422.59	41,866.59
03/11/91	23	57,289.17	14,540.77	42,748.40
06/11/91	24	57,289.17	13,640.39	43,648.79
09/11/91	25	57,289.17	12,721.03	44,568.14
12/11/91	26	57,289.17	11,782.32	45,506.86
03/11/92	27	57,289.17	10,823.83	46,465.35
06/11/92	28	57,289.17	9,845.15	47,444.02
09/11/92	29	57,289.17	8,845.86	48,443.31
12/11/92	30	57,289.17	7,825.53	49,463.65
03/11/93	31	57,289.17	6,783.70	50,505.48
06/11/93	32	277,289.17	5,719.93	271,569.25

FIRST INTERSTATE LEASING, INC., Lessor

By _____

Its VICE PRESIDENT

ALASKA RAILROAD CORPORATION, Lessee

By _____

Its President & Chief Ex. Of.

EXHIBIT C

SCHEDULE OF PREPAYMENT PRICE

After Payment Number	Prepayment Price
4	1,482,397.48
8	1,339,671.88
12	1,185,937.02
16	1,020,343.69
20	841,977.17
24	649,852.20
28	442,907.51
32	1.00

FIRST INTERSTATE LEASING, INC., Lessor

By _____

Its VICE PRESIDENT

ALASKA RAILROAD CORPORATION, Lessee

By _____

Its President & CEO

EXHIBIT D

CERTIFICATE OF ACCEPTANCE

I, the undersigned, hereby certify that I am the duly qualified and acting President & Chief Ex. Of. of Alaska Railroad Corporation (Lessee); and, with respect to the Lease Agreement dated August 1, 1985 (the Lease), by and between Lessee and First Interstate Leasing, Inc. (Lessor), that:

1. The equipment described in the Lease (the Equipment) has been delivered and installed in accordance with Lessee's Specifications (as that term is defined in the Lease) and has been accepted by Lessee.

2. During the Term of the Lease, the Equipment will be used by Lessee to perform essential functions of railroad transportation.

Dated: August 27, 1985.

ALASKA RAILROAD CORPORATION,
Lessee

By _____
Its President & Chief Ex. Officer

Exhibit E

ALASKA RAILROAD CORPORATION

Pouch 7-2111 • Anchorage, Alaska 99510-7069

September 11, 1985

First Interstate Leasing, Inc.
245 South Los Robles Avenue
Pasadena, California 91109

Gentlemen:

We are counsel for the Alaska Railroad Corporation (the "Lessee") and have represented the Lessee in connection with its execution and delivery of (i) that certain Equipment Lease Agreement dated as of August 1, 1985 (the "Lease") between the Lessee and First Interstate Leasing, Inc. (the "Lessor") and (ii) that certain Escrow Agreement dated as of August 1, 1985 (the "Escrow") between the Lessee and the Lessor (said Lease and Escrow, together with all other documents or instruments executed in connection with either thereof, being herein called the "Lease Documents"). All capitalized terms used and not otherwise defined in this opinion shall have the meanings attributed to them in the Lease.

We have examined the by-laws and resolutions of the Lessee, the Lease Documents and such other matters of fact and law which we deem necessary in order to render this opinion. Based upon the foregoing, it is our opinion that:

1. The Lessee is a public corporation of the State of Alaska, duly organized, validly existing and in good standing under the laws of the State of Alaska and has all requisite corporate authority to conduct its business in the State of Alaska.

2. The execution and delivery of the Lease Documents by the Lessee and the performance by the Lessee of the Lease Documents have been duly authorized by all necessary corporate action and proceedings on the part of the Lessee and do not and will not:

   (a) violate or contravene any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Lessee, or the Lessee's by-laws, or any indenture, instrument or agreement binding upon the Lessee; or

   (b) result in, or require, the creation or imposition of any lien pursuant to the provisions of any indenture, instrument or agreement binding upon the Lessee.

3. The Lease Documents have been duly executed and delivered by the Lessee and constitute the legal, valid and binding obligation of the Lessee enforceable against it in accordance with the terms thereof, except as limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting creditor's rights generally.

4. There is no litigation or proceeding pending against the Lessee which would adversely affect the Lessor's legal title to the Equipment or which, if adversely determined, would materially affect the business or financial condition of the Lessee.

5. The execution of the Lease and the appropriation of moneys to pay the Lease payments coming due thereunder, do not result in the violation of any constitutional, statutory or other limitation relating to the manner, form or amount of indebtedness which may be incurred by Lessee.

6. No approval, authorization, consent, adjudication or order of any governmental authority, which has not been obtained by the Lessee, is required to be obtained by the Lessee in connection with the execution and delivery of the Lease Documents or the transactions contemplated under the Lease Documents.

7. Lessee's obligation under the Lease constitutes an obligation issued on behalf of a State of the United States or a political subdivision thereof, pursuant to 45 U.S.C. 1207. Any interest derived from such obligation shall be exempt from income taxation under Section 103 of the Internal Revenue Code of 1954, as amended, the rules and regulations promulgated and the decisions rendered thereunder.

8. No further action is necessary in order to establish Lessor's legal title to the Equipment.

Very truly yours,

Larry D. Wood
Chief Counsel

EXHIBIT F

CERTIFICATE OF INCUMBENCY

I, the undersigned, hereby certify that I am the duly qualified and acting Director of Administration and Secretary to the Board of Directors of Alaska Railroad Corporation (Lessee); and, with respect to the Lease Agreement dated as of August 1, 1985 (the Lease), by and between Lessee and First Interstate Leasing, Inc. (Lessor), that I am well acquainted with the person listed below and with his signature; that said person holds the office or position set forth opposite his signature below; that the signature below written is the true and correct signature of said person; and that as of the date of execution of the Lease or other documents relating thereto by said person, such person was duly qualified and acting as the officer or position holder indicated below and duly authorized to execute the same:

Name	Office or Position	Signature
Frank G. Turpin	President & Chief Executive Officer	
Marvin J. Yetter	Vice President, Finance	
Bruce E. Carr	Manager, Financial Services	

Dated: August 27, 1985.

Alaska Railroad Corporation,
Lessee

By James D. Blasingame *
Its Director of Administration

Subscribed and sworn to before me this 27th day of August, 1985.

Notary Public
_____ County,
State of Alaska
My commission expires: 4-21-86

(Notarial Seal)

* This Certificate of Incumbency must be executed by an officer of Lessee different from those persons whose signatures are listed in the text thereof.

EXHIBIT G

OFFICER'S CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting President & Chief Executive Officer of Alaska Railroad Corporation (Lessee); and, with respect to the Lease Agreement dated August 1, 1985 (the Lease), by and between Lessee and First Interstate Leasing, Inc. (Lessor), that:

1. The lease payments provided for on Exhibit B to the Lease (the Lease Payments) shall be due and payable on September 11, 1985, and the eleventh day of each Quarter thereafter, in the amounts shown on Exhibit B to the Lease.

2. Lessee will budget for, request, appropriate, provide and otherwise obtain and make available sufficient moneys to pay all Lease Payments required to be paid under the Lease during the Term of the Lease (as that phrase is defined in the Lease), and such moneys will be applied in payment of such Lease Payments.

3. Lessee has obtained from a reputable insurance company qualified to do business in the state of Alaska (the State) insurance with respect to all risks required to be covered thereby pursuant to Article VI of the Lease.

4. Lessee is exempt from all personal property taxes, and is exempt from sales and/or use taxes with respect to the Equipment and the Lease Payments.

5. There is no litigation, action, suit or proceeding pending or before any court, administrative agency, arbitrator or governmental body, that challenges the organization or existence of Lessee; the authority of its officers; the proper authorization, approval and execution of the Lease and other documents contemplated thereby; or any other action taken by Lessee to provide moneys sufficient to make Lease Payments coming due under the Lease; or the ability of Lessee otherwise to perform its obligations under the Lease and the transactions contemplated thereby.

Dated: September 11, 1985.

ALASKA RAILROAD CORPORATION,
Lessee

By _____
Its President & Chief Exec. Of.